

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Parcel Select & Parcel Return Service Contract 3
(MC2012-15)
Negotiated Service Agreements

Docket No. CP2012-22

PUBLIC REPRESENTATIVE COMMENTS ON USPS NOTICE OF CHANGE IN
PRICES PURSUANT TO AMENDMENT TO PARCEL SELECT AND PARCEL
RETURN SERVICE CONTRACT 3
(March 19, 2018)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.¹ In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to change the prices offered under Parcel Select and Parcel Return Service Contract 3.² To support its Notice, the Postal Service filed redacted financial workpapers. Unredacted version of all redacted documents were also filed separately under seal.

Previously, in Order No. 1348 the Commission approved the initial Parcel Select & Parcel Return Service negotiated service agreement.³ In Order No. 2233, the Commission approved a first amendment to the Initial Agreement.⁴ In Order No. 2579,

¹ Notice Initiating Dockets for Recent Postal Service Negotiated Service Agreement Filings, March 13, 2018.

² USPS Notice of Change in Prices Pursuant to Amendment to Parcel Select and Parcel Return Service Contract 3, March 9, 2018 (Notice). The Notice includes the following attachments: Attachment A is a redacted version of the amendment to Parcel Select and Parcel Return Service Contract 3 (Amendment 4); Attachment B is a Certification of Compliance with 39 U.S.C. § 3633 (Certification);

³ Docket Nos. MC2012-15 and CP2012-22, Order No. 1348, Order Adding Parcel Select & Parcel Return Service Contract 3 to the Competitive Product List, May 21, 2012 (Order No. 1348). See *also* Notice of the United States Postal Service of Filing Errata to Request and Notice, Attachment B, May 7, 2012 (Initial Agreement).

⁴ Order No. 2233, Order Approving Amendment to Parcel Select & Parcel Return Service Contract 3 Negotiated Service Agreement, October 31, 2014 (Order No. 2233). See *also* Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select and Parcel Return Service Contract 3, Attachment A, October 20, 2014 (Amendment 1).

the Commission approved a second amendment to the Initial Agreement as amended by Amendment 1.⁵ Finally, in Order No. 3547 the Commission approved a third amendment to the Initial Agreement as amended by Amendments 1 and 2.⁶ The Existing Agreement is⁷ the Initial Agreement as amended by Amendments 1, 2, and 3.

The Existing Agreement as amended by Amendment 4 will become effective two business days following the day that the Commission completes its review. Notice at 1. The amended Existing Agreement is scheduled to expire on May 31, 2021, subject to early termination provisions set forth in the terms of the Existing Agreement. Amendment 3 at 9.

II. COMMENTS

Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service.

After reviewing the Postal Service's Notice, the unredacted Existing Agreement, the unredacted version of Amendment 4, and the supporting financial workpapers filed under seal, the Public Representative finds that the amended Parcel Select & Parcel Return Service Contract 3 product will continue to satisfy the cost coverage requirements set forth in 39 U.S.C. § 3633 over the next year. Moreover, while the financial materials provided by the Postal Service do not provide direct support that the amended agreement will maintain adequate cost coverage over the entirety of its lifetime, Section I. E. of the Existing Agreement contains annual rate adjustment provisions that should facilitate continued cost coverage as required by 39 U.S.C. §

⁵ Order No. 2579, Order Approving Amendment to a Parcel Select & Parcel Return Service Negotiated Service Agreement, July 12, 2015. See also Notice of United States Postal Service of Amendment to Parcel Select and Parcel Return Service Contract 3, with Portions Filed Under Seal, Attachment A, June 26, 2015 (Amendment 2).

⁶ Order No. 3547, Order Approving Amendment to Parcel Select & Parcel Return Service Negotiated Service Agreement, October 4, 2016 (Order No. 3547). See also Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select and Parcel Return Service Contract 3, Attachment A, September 23, 2016 (Amendment 3).

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3633(a) after the 12-month window for which the Postal Service has provided financial projections. Amendment 3 at 7-9. Finally, the Commission will have opportunities to review the revenue, cost and volume data for the amended Parcel Select & Parcel Return Contract 3 in future Annual Compliance Determination proceedings.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Timothy J. Schwuchow
Public Representative

901 New York Ave. NW
Suite 200
Washington, DC 20268-0001
(202) 719-0738
Timothy.Schwuchow@prc.gov